

County Administrator's Budget Message

To: The Members of the Board of Supervisors

The proposed Fiscal Year 2014 budget is presented to you and the citizens of James City County in this document. The County has a two year budget process that allows the Board to adopt a budget for immediate implementation and a second year plan. The second year of the budget is reviewed carefully to assure it is still appropriate. If circumstances have changed, the plan is adjusted accordingly. The adopted plan was approved at \$167,930,000. It included very few new initiatives and was based on conservative revenue estimates due to uncertainty in the federal, state and local economies.

I have used that plan as the chart for spending priorities and have only made slight changes to that plan. I am pleased to report the economy has done better than expected and increased revenue projections are included in this budget.

This proposed budget increases 3.1% over the FY2013 adopted budget to \$171,500,000 and is presented with the following assumptions:

- No tax rate increase
- No fee increases
- No reassessment in real property
- No increase in debt.

This budget includes funds to address the previously identified priority of providing a salary increase to our employees. We are pleased that the increase in revenues beyond the planned amount allows funding for a similar pay increase to the School division's teachers and support staff, which has also been identified as a budget priority. Staying with a conservative spending approach, the majority of the remaining resources have been allocated to expenditures that are of a non-recurring nature, such as capital projects, or those that do not require a commitment beyond one year, such as matching dollars to the State for road work.

Cautious Optimism for Slow and Steady Growth

Since FY2010, which represents the County's economic low point in the recession, the County has seen slow, but steady growth. The County, over the past few years, has conservatively forecast an economic recovery, hedging for uncertainties as the national and global economies have struggled to find their footing. This budget continues that conservative forecast.

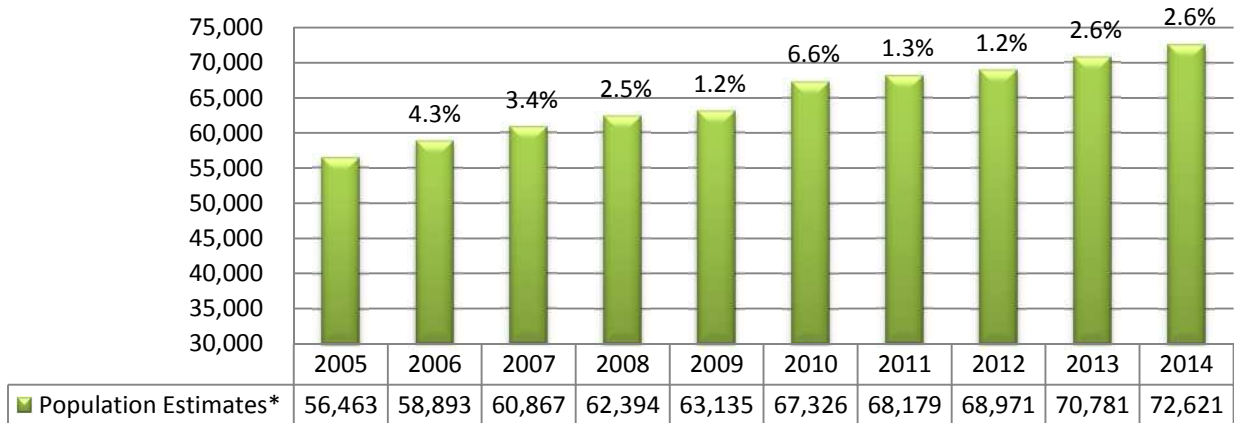
I am cautiously optimistic that the positive trends we are now seeing will continue. While we have budgeted conservatively in this budget year, as the economy improves, the County will need to start restoring some of the cuts that were made several years ago in order to maintain the quality of life I feel our residents expect.

The County's population has continued to grow, even during the economic downturn, although at a slower rate. With the most recent population estimates, James City County is the fastest

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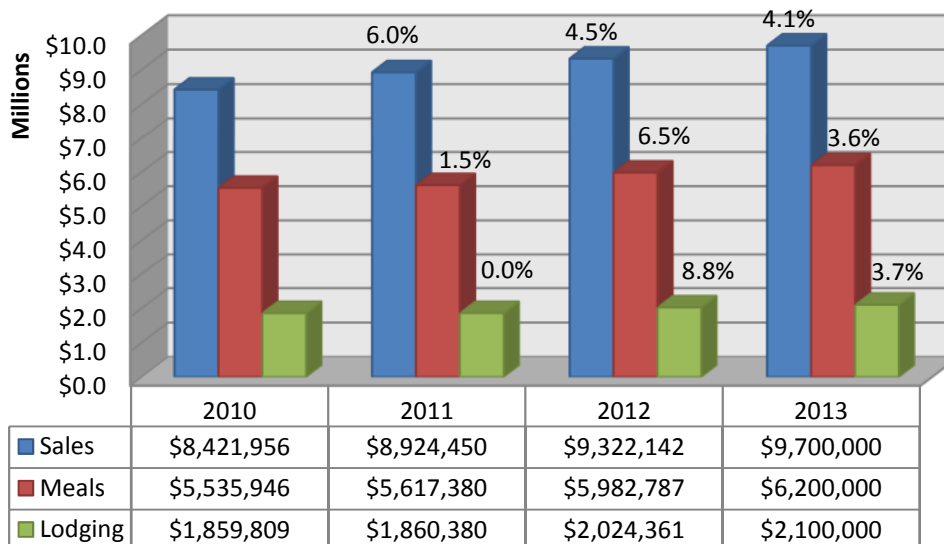
growing locality within the Hampton Roads community and remains one of the fastest growing localities in the State.

Population Estimates and % Change Per Year



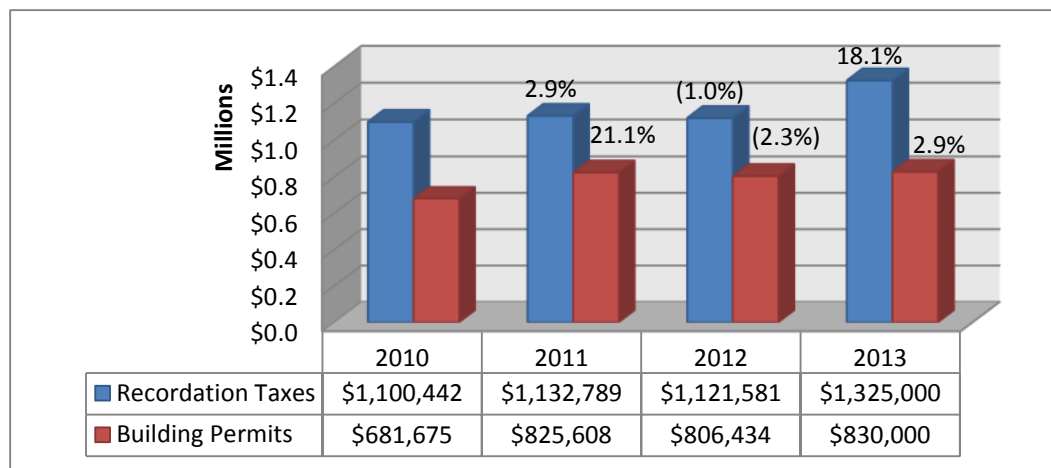
*2010 reflects adjusted Census for 7/1
Source: Planning Division

For the past three fiscal years, the County's local economy has improved as evidenced by the County's sales, meals and lodging tax collections. Although regular inflationary pressures account for some of this increase, the rate of growth has exceeded the rate of inflation. Both citizens and visitors are investing in our community by shopping in our stores, eating in our restaurants and staying at our hotels and timeshares. Investments in tourism, such as the Christmas in Williamsburg marketing campaign, the return of the LPGA tournament and increased sporting events have all contributed to this growth. New retail establishments, such as Settler's Market, should help the positive trend continue.



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The housing market had been a driving factor for the national economic downturn and James City County did not escape unscathed. Real estate values fell, foreclosures increased and new construction dropped. The last general reassessment of real estate occurred for FY2013 and lowered values of residential real estate 5.67 percent. However, the County did fare better than many other communities and the County is starting to see a recovery, with building permits beginning to rise, increased sales of existing homes and stabilizing prices. The County assesses real estate every two years and there is no general reassessment for FY2014. I expect the next general reassessment for FY2015 to be reflective of a stabilizing real estate base and do not expect to see decreases similar to those that occurred in FY2013. Related revenues, such as recordation taxes and building permits, particularly in the past six months, are showing signs of sustained growth.



These indicators, in addition to new real estate development and additional vehicles added to the County's personal property tax base, point toward a continued path of slow and steady growth.

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GENERAL FUND

Revenues

General Fund revenues are estimated to increase 3.1% above the FY2013 adopted figures and 2.1% above the FY2014 Plan amount. These revenue assumptions include no new or increased taxes or fees. Increases in revenues are a result of continued slow and steady growth in both the economy and the community.

The increase in real property tax revenues of 1.3% comes entirely from new development. Personal Property taxes have also increased with a combination of increased value and a 3% increase in the number of autos and trucks.

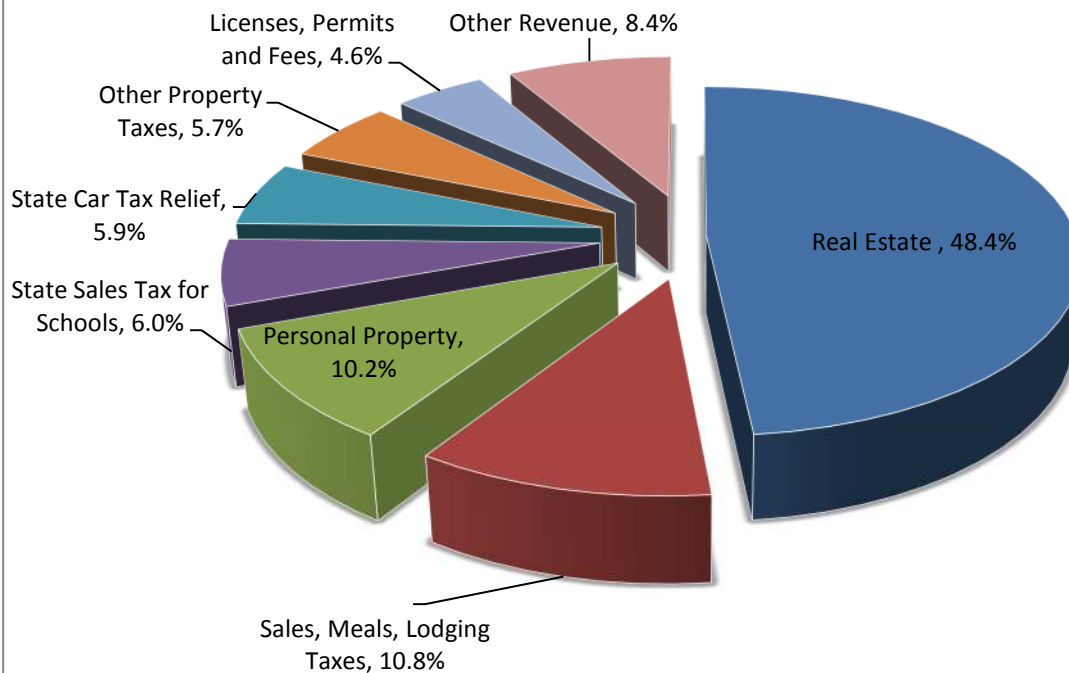
Consumer spending, as reflected in sales, meals and lodging taxes are all increased by 3% over current year projections. Business and Professional Licenses are also increased by 3% over current year projections based on increased retail, services and construction activity. Revenues from fees and charges for services are up 5.5%, mostly related to increased calls for service for Advanced Life Support/Basic Life Support (ALS/BLS) transports.

State revenues increase, mostly due to increased estimates of Statewide Sales Tax as reflected in the 5.2% increase in Sales Tax for Education.

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	FY2013 Adopted	FY2014 Proposed	Share of FY2014 Budget	% Change from FY2013
Real Estate	\$ 81,925,000	\$ 83,000,000	48.4%	1.3%
Sales, Meals, Lodging Taxes	\$ 17,025,000	\$ 18,565,000	10.8%	9.0%
Personal Property	\$ 16,560,000	\$ 17,625,000	10.2%	6.4%
State Sales Tax for Schools	\$ 9,822,908	\$ 10,337,543	6.0%	5.2%
State Car Tax Relief	\$ 9,770,137	\$ 9,770,137	5.9%	0.0%
Other Property Taxes	\$ 9,635,000	\$ 9,797,500	5.7%	1.7%
Licenses, Permits and Fees	\$ 7,245,000	\$ 7,950,000	4.6%	9.7%
Other Revenue	\$ 14,284,180	\$ 14,454,820	8.4%	1.2%
	\$166,267,225	\$171,500,000	100.0%	3.1%

FY2014 General Fund Sources of Revenue by Category



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Personnel and Compensation

Compensation

Performance Increases

My priority in this budget, as I stated in the first year of the biennium budget, is to provide a base salary increase for eligible County employees. Employees last received a performance increase in FY2009. Most other localities in the Hampton Roads area have given a base salary increase during this time period. A salary increase for County employees is already part of the FY2014 Budget Plan and sufficient funds are available to increase both County and School staff's salaries by 3% effective July 1, 2013.

Maintaining the Compensation Plan

To maintain our current market-based compensation plan, I am recommending two adjustments. First, I propose that we add 5.7% to the end of each salary range. This will restore employees' salaries to the same relationship to the top of their ranges that they had before receiving the 5.7% VRS offset, which did not increase their take-home pay. This will not cost any additional money in FY2014 and will be reevaluated as part of the Compensation Plan Review during the fiscal year. Second, I am recommending that, after the performance increases have been applied, we move all salary ranges by 2%. This will help keep our ranges, and therefore our starting salaries, competitive. Competitive salary ranges assist with employee recruitment and retention. This structure adjustment will cost about \$30,000.

My proposed budget continues to fund career ladder advancements—salary adjustments for employees who complete the requirements to advance along a career ladder, such as Police Officer I to Police Officer II. It also includes market adjustments to the Deputy Fire and Police Chief positions, which will help bring their salary ranges in line with the market but will not affect their actual salaries.

Benefits

Health Insurance

Health insurance costs continue to rise as the result of claims experience, medical inflation, and new Health Care Reform fees that take effect in 2014. These costs have been included in our health insurance premiums. This budget proposes a 10% increase in the County's contribution towards health insurance premiums and an average increase in employee contribution of about 9%, depending on plan. So that we are proactive in managing costs and identifying cost savings, I have increased our health insurance premiums to provide funding for a benefits consultant to help the County and Schools go out to bid for health insurance, comply with Health Care Reform requirements and identify cost savings. This spreads the cost of the consultant out to all entities who participate in our health insurance pool and the consultant will be paid from those pooled funds.

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The budget also funds health insurance premiums for 16 positions whose incumbents we anticipate will work an average of between 30 and 40 hours per week in calendar year 2013. This is a new requirement of the Health Care Reform Law and is effective January 1, 2014. Ten of these positions are part-time regular positions with incumbents in them. We analyzed temporary positions that have been averaging 30 hours per week. Six of those temporary positions are recommended for health insurance funding because the continuity of having the same individual perform the duties is important to the quality of the work, such as Park Rangers and Before and After School and Summer Camp Assistant Site Supervisors.

Other Benefits

No other benefit costs increase.

Positions

Only one new regular position is included in the proposed budget—the full-time regular Secretary position for the Police Department that is already included in the two-year budget plan. This position is needed to take administrative duties from sworn officers freeing them up to perform police work. Some part-time and temporary hours have been added to provide needed assistance in several departments. A number of requests for positions were analyzed and it was determined not to add them this year, but several will be likely for FY2015. And where we could no longer make a direct correlation between grant funding and a particular position, I have proposed changing the position type from Limited Term to Regular.

Recognition

In our ongoing organizational development activities, we have identified department performance recognition as a necessary and valuable tool. We have developed a minimum standard for department recognition programs and all departments have developed and implemented their own program. This budget includes \$17,000 to support those programs. This is the aggregate amount for all departments and a proportional piece is found in each department's budget. The inclusion of funds in each department's budget will ensure that all departments' recognition programs are supported and that funding is equitable among departments. These programs are important tools for reinforcing desired outcomes and behaviors and retention of high performers and will help us to maintain the high quality of our staff.

Non Personnel-Related County Operating Expenditures

Over the past several years, the County has been retrofitting buildings with more energy efficient heating and lighting elements. Leadership in Energy and Environmental Design (LEED) Certifications for the renovations to Building D, the new Fire Administration building, and the new Police building have all resulted in reduced energy costs per square foot.

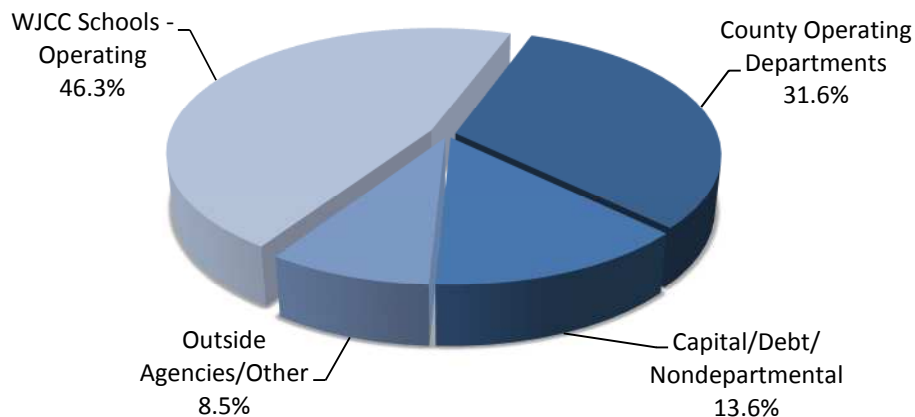
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FY2014 will also begin the five-year update to the Comprehensive Planning process, which will include at a minimum, the Land Use section of the Plan. The proposed budget includes funding for a community survey so the County can evaluate progress made since the last Comprehensive Plan update and plan for the next five years.

This budget is also reflective of the elimination of the Local Aid to State Government, where the County returned money to the State for programs where the State provides support to localities for areas such as Constitutional Officers and Police departments. The savings to the General fund is \$149,200.

	FY2013 Adopted	FY2014 Proposed	Share of FY2014 Budget	% Change from FY2013
County Operating Departments	\$ 52,204,109	\$ 54,278,269	31.6%	4.0%
Capital/Debt/Nondepartmental	\$ 23,577,097	\$ 23,304,701	13.6%	-1.2%
Outside Agencies/Other	\$ 13,796,514	\$ 14,562,431	8.5%	5.6%
WJCC Schools - Operating	\$ 76,689,505	\$ 79,354,599	46.3%	3.5%
	\$166,267,225	\$171,500,000	100.0%	3.1%

FY2014 General Fund Spending by Category



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Education

The County's educational system plays an important role in the County achieving its community vision to have healthy minds and healthy bodies. The County shares local school funding with the City of Williamsburg and will pay 90.46% of that cost in FY2014. The School Superintendent has presented a proposed budget to the School Board that includes an increase of \$2,665,094 in County funds to be contributed to the operations of the Williamsburg-James City County Schools. This recommendation fully funds that request.

Outside Agencies

Funding requests from Outside Agencies are critically reviewed by a variety of staff. In each assessment, the County determines if our funds are appropriately used and if the service received continues to be a benefit to the community. Most Outside Agency requests were funded at the FY2014 Plan amount.

Community Service Agencies like Avalon and Williamsburg Meals on Wheels work in collaboration with the County to provide safety net services for the County's neediest citizens. One of the programs in this area, the RIDES program, is a collaboration of local area senior transportation providers and provides simple, affordable access to health care services. Previously, this was included as part of the Historic Triangle Senior Center. It is now shown separately. Funding for the Historic Triangle Senior Center for their activity programs continues at its planned amount.

Business and Regional Associations are important partners; a slight increase in funding has been allocated to the Peninsula Council for Workforce Development.

Educational and Environmental agency requests include a slight increase in funding for the Hampton Roads Planning District Commission.

Public Safety Agency budget requests include increased funding to the James City-Bruton Volunteer Fire Department and the JCC Volunteer Rescue Squad.

The **Health Services and Regional Entities** category includes agencies that receive relatively significant levels of County funding, such as Olde Towne Medical Center, Williamsburg Regional Library (WRL), Williamsburg Area Transport Authority (WATA), Virginia Peninsula Regional Jail, Merrimac Center, Colonial Behavioral Health, and the Peninsula Public Health Department. Many of these agencies are allocated increased funding as many are also implementing some pay increases for their staff.

CAPITAL PROJECTS FUND

The Capital Projects Fund includes both a one-year FY2014 **Capital Budget** and a four-year **Capital Improvement Plan**. The Capital Budget for FY2014 totals \$6,109,000 and does not include any debt financing of projects; it is funded with cash from ongoing revenues, anticipated year end General Fund balance and one-time revenues.

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Over \$2,000,000 in funding is provided to the School division for a variety of school rehabilitation projects, HVAC projects, and technology upgrades.

County projects include increased funding for the replacement Fire Station #4. This is for VDOT and soil treatment requirements and I did not feel that compromising the functionality of the Fire Station was appropriate in order to stay within the original plan amount. Other Public Safety projects include a replacement medic unit and replacement Mobile Data Terminals for police, fire, emergency medical, and sheriff vehicles.

Aging analog cameras used to cover public meetings will be replaced with digital technology as well as the monitors and projectors to receive digital feeds. This continues the County's efforts to switch from analog to digital broadcasting since the 2009 digital TV transition. Funding is also provided for increased video capabilities in the new meeting space in Building D, which will allow us to supplant the limited work session space currently used in Building F.

Infrastructure improvements at both Chickahominy Riverfront Park and Jamestown Beach account for the majority of capital funding allocations to Parks and Recreation projects. Investments in stream restorations, neighborhood drainage projects and improvements to public stormwater facilities continue. Investments in HVAC replacements in two buildings will continue to make the County more energy efficient.

The **Capital Improvement Plan** totals \$76,074,000 and FY2015 through FY2018 will be revisited and revised in each of the future years. Debt financing would be expected to fund the majority of this plan with the financing taking place in every other year. A consolidated and replacement General Services building and a major renovation to the Human Services Building are planned for FY2015. A large part of this plan, however, contains placeholders, as final decisions for the relocation of central and administrative offices for the School Division and the return of a functional James Blair Middle School have not yet been made.

OTHER FUNDS

The County operates separate funds for those public services that do not depend on local tax money – the major revenue sources are Federal and State or user fees for specific services, like water and wastewater.

The **Department of Social Services** (DSS) continues to provide a safety net for basic community services to County residents. The overall budget decreases 1.0%, with local funding decreasing 2.7%. A change in the formula for federal funding in "Pass Through" monies was favorable and provided some reduction in local funding. Both a full-time and a part-time Social Work Assistant position have been eliminated due to a reduction in the number of children in foster care and increased efficiencies that have been achieved by moving toward a model of self-sufficiency for clients.

Special Projects/Grants is the fund used to account for one-time non-capital projects, grant-funded projects or major program spending like the Comprehensive Services Act (CSA). Newly

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included in FY2014 are revenue sharing match funds for three road projects that, in November, the Board had indicated are road priorities for the County. I am not proposing any additional road projects until more information is available about the new State transportation bill that was passed in the General Assembly. Also new to this fund are Fire Program funds and Four for Life funds. These are State grant funds that were previously accounted for in the Donation Trust Fund for many years and a change in the accounting treatment from the State allows for it to be more appropriately shown in this fund. These funds are used for fire personal protective equipment (turn out gear) and will also support the Volunteer Fire Department and Volunteer Rescue Squad for allowable expenses.

Housing and Community Development is actively involved in Community Development Block Grant (CDBG) programs in low-income areas and provides housing assistance under Federal programs such as Section 8. I have not included in the proposed budget the appropriation for the Neighbor's Drive CDBG project as the timing of the acceptance of the award is not until the summer of 2013. At that time, I will bring a separate award and appropriation to the Board.

Colonial Community Corrections operates community-based probation and pre-trial services for six localities. The overall budget increases 2.6%. The federal government through its National Institute of Corrections (NIC) grant currently funds a full-time limited term Agency Director position.

The **Tourism Investment Fund** makes investments in venues, sponsors special events, and develops beautification projects, regional marketing initiatives, and other programs and projects that would work to attract visitors to the County. Funding comes from two sources, 60% of the revenues collected by the County's 5% lodging tax and 100% of a special assessment of \$2 per lodging night (directed by law to the Williamsburg Area Destination Marketing Committee). Increased funding is allocated to Preservation Virginia to significantly enhance programs at Historic Jamestowne that are directly related to the County. Funding is allocated to continue support of the LPGA tournament at the Kingsmill Resort and the successful marketing campaign for Christmas in Williamsburg.

JAMES CITY SERVICE AUTHORITY

The James City Service Authority (JCSA) acts as the County's water and sewer utility and provides these services in parts of the County. The JCSA is financed entirely by user fees and receives no tax money from James City County. Beyond the normal operations of a utility, the JCSA capital budget targets additional engineering and construction costs related to requirements of the Federal Environmental Protection Agency and State Department of Environmental Quality for mandated sewer system improvements. These mandated services, under a Consent Order, cover all of Hampton Roads and impact every community.

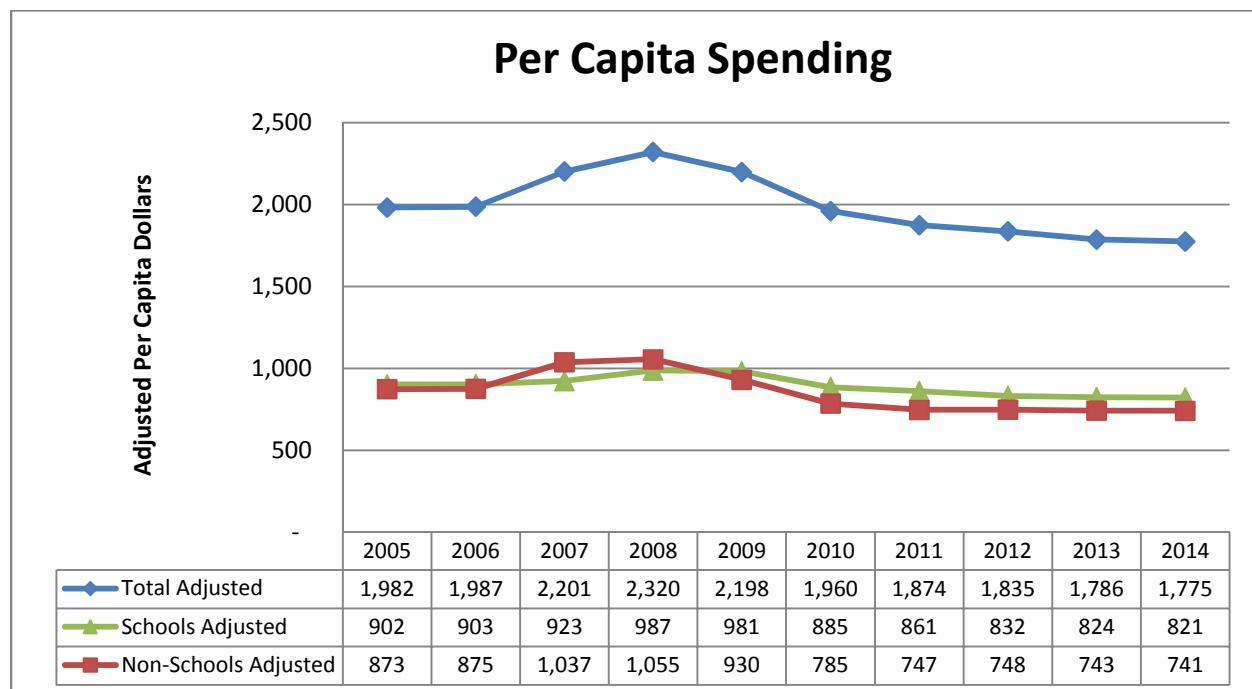
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The FY2014 Operating Budget for the JCSA decreases 1.9% from the adopted FY2013 budget, primarily due to the retirement of the debt associated with the construction of the Five Forks Groundwater Treatment Facility. Additionally, at this time last year, the FY2014 plan included a sewer service rate increase of 5%. This planned increase is eliminated. The planned increase was to fund the on-going sewer infrastructure rehabilitation requirements of the JCSA's Consent Order from the Virginia Department of Environmental Quality. The rate increase was eliminated from the FY2014 budget because Consent Order requirements and deadlines changed over the past year and will continue to evolve through FY2014.

The FY2014 JCSA Capital Budget totals \$4,390,911 and is funded by facility charges provided by new connections and a transfer of funds from water and sewer revenues. This is the first time since the early to mid-1990s that water and sewer service charge revenues are being transferred to the CIP program. Historically, the CIP has been funded by connection fees. Increased expenditures for the Consent Order and reduced connection fees resulting from the economic downturn have made this change necessary. Highlighted funding includes the Mirror Lakes Dam mitigation project, replacement of heavy equipment vehicles and Consent Order requirements.

SUMMARY

I am optimistic that the County will continue to be on a slow and steady recovery. This budget continues a fiscally responsible approach in balancing current and future community needs. The County has continued to grow, and the population has increased, while per capita spending has decreased. It has been challenging for both the County and the School division to continue to provide the quality service that our citizens expect. Both population and inflation have outpaced the growth in the County's budget, with per capita spending anticipated to decrease by 0.1% in FY2014.



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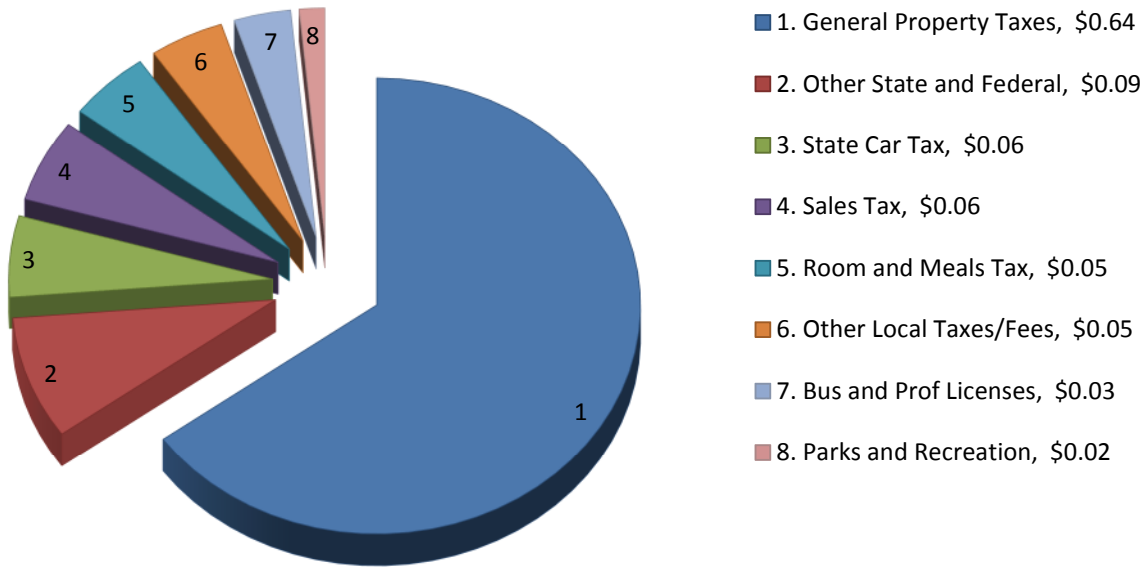
I believe that for the County to remain a high quality community with a superb quality of life, this trend will not be sustainable in the long term. I anticipate that the challenge in the next biennium budget (FY2015/FY2016) will be in making the investments that will be needed to keep us a quality community.

Respectively submitted,

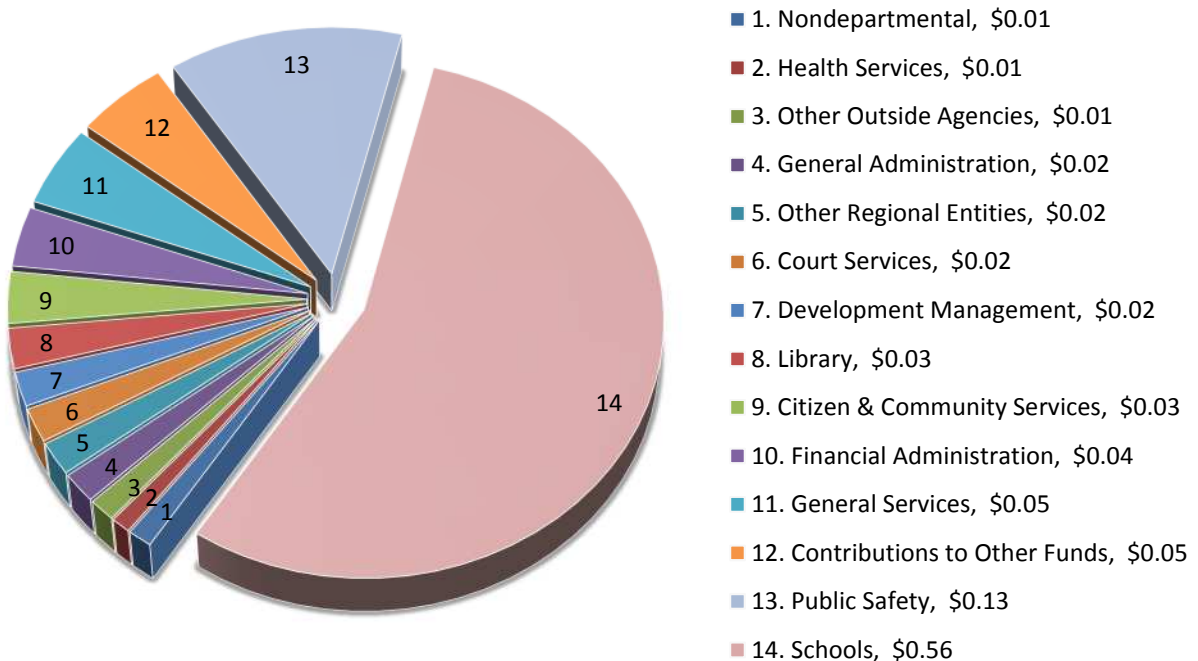
Robert C. Middaugh
County Administrator

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FY2014 - Where each dollar in the County comes from



FY2014 - How each dollar in the County is spent



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Changes from the Proposed to Adopted FY2014 Budget

- A decrease of \$9,023 to Williamsburg Regional Library System and Arts Center funding.
- A decrease of \$6,803 to Contributions to Other Funds for Colonial Community Corrections funding.
- An increase of \$13,468 to Other Regional Entities for Virginia Peninsula Regional Jail funding.
- An increase of \$15,000 to Other Outside Agencies for Hampton Roads Economic Development Alliance funding.
- A transfer of personnel dollars from Development Management to Planning and from Communications to County Administration resulting in no net increase or decrease.
- A decrease of \$30,000 to General and Capital Services to remove funding for Government Center signage.
- An increase of \$2,970 to Fire/EMS to reflect a fringe calculation adjustment for health insurance.
- An increase of \$1,579 to Court Services to adjust for Circuit Court video conferencing costs.
- A decrease of \$565 to Animal Control for DEA license renewal that is not required until FY2015.
- A decrease of \$950 to Planning to eliminate duplicate funding for new historic sign from Historic Commission.
- A net increase of \$14,324 in Operating Contingency resulting from a decrease in funding to Williamsburg Regional Library and Colonial Community Corrections, and increase in funding to the Virginia Peninsula Regional Jail and Hampton Roads Economic Development Alliance, and a net decrease in departmental budgets.